

2005, it would only cost \$9 billion under the Thomas plan but if in fact these cuts do not expire it will be \$29 billion.

I could go on. I know people get tired of a lot of numbers but I need to show the comparison of the tax cut packages.

Let us put up chart 2. IRS data shows that households with incomes over \$500,000 get, on average, 41 percent of their income from capital gains and dividends. On the other hand, households with incomes between 40 and \$75,000 get only 4 percent of their income from those sources. The gentleman from California's claims will not be the panacea for our struggling economy. For example, if you make over \$500,000, according to this, 40 percent of your income comes from capital gains and dividends. If you make only between zero and \$20,000, your income from capital gains or dividends is only 4 percent. So clearly the package as proposed by the gentleman from California is going to benefit folks who make over \$500,000. I do not know where many of you come from, but clearly this is not a package that will benefit the bulk of Americans.

The same IRS data shows that the \$500,000 income and higher households enjoy average capital gains and dividends of \$70,000 while the 40 to \$75,000 households have average capital gains and dividends of \$2,000. Under the GOP plan, millionaires will receive over \$100,000 from the new tax structure. But if you make \$50,000, you will receive about \$400. Or if you are in the lowest income strata, the new tax structure will give you back just \$53. We heard the earlier speakers talk about the benefit of putting the money back in the taxpayer's pocket. How much is \$53 going to buy? Especially when you think about collectively if we took all of our \$53 and left them in the pot, perhaps our senior citizens might have an opportunity to get a prescription drug benefit. Perhaps we might be able to fund the No Child Left Behind program. Perhaps we might be able to fund health care for more Americans. And perhaps we might be able to extend the unemployment compensation to Americans across this country.

Let me go to this chart very quickly. For example, taxpayer year 2003, if you made between 10 and \$20,000, you are getting \$53. If you made between 75 and \$100,000, you are going to get \$1,600. But if you are part of that fortunate few that this tax plan favors, you will get probably \$105,000 from this particular tax cut. Those taxpayers who will reap the highest gains from the Thomas plan account for .5 percent or one-half of 1 percent of taxpayers. Let me say that again. Those taxpayers who will reap the highest gains from the Thomas plan account for just .5 percent or one-half of 1 percent of taxpayers. Yet they will receive over 57 percent of all of the capital gains and dividends.

When we talk about a plan being fair, this plan is not fair. Quite the opposite

is true for taxpayers in the 45 to \$75,000 income bracket who comprise 21 percent of all taxpayers and account for 24 percent of income from all sources. Yet they will only receive 7 percent of the capital gains and dividends.

Let us try chart 4. Finally, the Thomas plan will benefit the wealthiest one-half of 1 percent of taxpayers nearly universally, as 94 percent of that group of taxpayers receives dividends or capital gains whereas just one-third of the 45 to \$75,000 income range taxpayers have investments that yield dividends or capital gains. For example, if we look at chart 4, we can see how much income is derived from capital gains and dividends based on income levels. It is a little different orientation from the chart I showed you that was chart 2. For example, if in fact you make over \$500,000, you are coming above almost 100 percent, you will receive that amount from your capital gains or dividend income as compared to people at the lower bracket.

The Republican Party will claim that the majority of senior citizens will benefit from dividends and capital gains taxes being reduced, but only 26 percent of seniors in this country receive dividend income that would be affected by this proposal. Let me say that again. Only 26 percent of seniors in this country receive dividend income that would be affected by this proposal. Republicans cite the fact that more and more people have a vested interest in the stock market. Yeah, we sure had a vested interest in the stock market and look what happened: Enron, Global Crossing, WorldCom, the list goes on, and that they would now benefit from this proposal. Maybe this proposal should have come around before all of us lost the money we lost in the stock market. While they are correct in the assertion that over 50 percent of the population is in the market, Republicans distort or ignore the manner by which people do participate in the market.

□ 1730

The majority of this participation is through a 401(k) plan or pension plans and other retirement accounts that are exempt from this taxation anyway, and most of the people who receive money are in a pool wherein those dollars accrue to their retirement plan or a pension plan but not to them individually.

Let me talk about deficits for a moment because one of the things that I said when I started was that any plan that stimulates the economy, it must be fast, it must be fair, and then it must be fiscally sound.

The GOP plan is not fiscally responsible. While the Thomas bill claims to offer a compromise to President Bush's irresponsible plan on the subject of dividend tax reform, which it really does not, it certainly does not compromise on the subject of being fiscally irresponsible and harmful to the longer-

term state of the economy. Republican lawmakers in general, and the gentleman from California (Mr. THOMAS) is certainly no exception, are under the frightful illusion that deficits do not matter. Did the Members hear that? Deficits do not matter. Even Mr. Greenspan has said that deficits are important, but Republicans are now saying they do not matter. Keep in mind when we had a low deficit, our economy was doing better. Keep in mind that as we continue to have greater deficits, I anticipate that our economy will have more trouble.

The Republican economic plans push for tax cuts that will put the Federal Government in a position of having to borrow \$1.5 trillion over the next 10 years. Let us count that, \$1.5 trillion over the next 10 years, with no balanced budget in sight. The resulting debt load on the fiscally ignorant Republican plans being presented to us will be about \$50,000 per American household. Talk about putting our grandchildren and our children in debt.

When asked to account for this fiscal lunacy, the Republicans claim that the tax breaks offered now will compel people to save more in anticipation of leaner times to come. The speculative statement on the psyche of the American taxpayer just does not make any sense. By borrowing this additional \$1.5 trillion over the next 10 years and saddling American households with \$50,000 of that debt load, Republicans are placing a cumbersome tax burden on future generations of children. To cover the interest costs alone on that debt will require us to zero out all unemployment compensation plus other programs such as SSI to the tune of \$400 billion, the refundable earned income child tax credit of \$357 billion; food stamps, \$274 billion; family support, \$259 billion; and student loans, State's children's health insurance, and veterans' pensions, \$149 billion.

Cutting any of these programs is neither compassionate nor is it conservative, but it will be a reality if this fiscal recklessness gets enacted into law.

I have now just seen that my colleague from the great State of Louisiana (Mr. JEFFERSON) has joined me as we do this Special Order. I yield to him.

Mr. JEFFERSON. Mr. Speaker, I would like to thank the gentlewoman from Ohio for yielding to me and for the wonderful work that she is doing in this area and for the Special Order that she has taken out this evening to explain to the American taxpayers and to the American people just what is at risk by these Republican policies.

I know she has covered a great deal of territory already, but I want to just talk about things perhaps that have not yet been discussed or, if they have been, discussed tangentially. And that is the issue of what the government ought to be doing with respect to tax policy. I had the good fortune, the gentlewoman might remember, of doing a great deal of work on this tax policy.

Having spent time in school to work on it and having gotten a master's of laws in taxation and having studied the issues of what tax policy ought to be involved with, what I found out was this: that there is a legitimate concern on the part of government to have a tax policy that is fair in the first place, to have a tax policy that is simple in the second place, to have one that does not intrude into the private sector decisionmaking of people in the third place; and perhaps if we find a social policy we all agree on, we found it legitimate to use the Tax Code sometimes to encourage certain behavior on the part of the public.

The one thing on the fairness I think the gentlewoman has spoken very well about how this policy violates the Federal standard of fairness any number of ways, and I want to talk about one last way it does a little later; but the one thing that I think it does that people ought to recognize, and it has effects for the deficit, for the interest burden, all the rest, is that it puts the government into a position where it is going to compete with the private sector for money. It is going to drive up demand for money because we are going to have to borrow money. There is only so much of it out there. We have to borrow money to fund the government's operations. When we do that, we drive up the demand for money; and when we do that, we drive up interest costs. No question about it. And so this government is going to compete with the private sector. It has to because there is not enough money to fund this tax policy. We are going to put a tax policy together and borrow money to pay for it. It does not make any sense at all. But the biggest problem is that it is inescapable that it is going to drive up demand for money out of this economy, and we are going to borrow money from our banks here and make it tough on our country, and we can also borrow money from foreign governments and make it tough for steel. So this is an antitax policy, logically thinking, when we go this route.

The second thing, there has been a debate for many years about whether it is a good idea or a bad idea to tax capital gains or a bad idea or a good idea to tax dividends, dividend income. All of this has been the subject of debate for many years. And one of the reasons why people have avoided dealing with it is because it is so expensive to fix it, to deal with it, to try to come up with a solution for it. So every time we have a tax reform session, people gripe one side or the other about these questions; but they never deal with it because they are so horrendously expensive.

Here we have now a President in the middle of a recession, certainly in a huge downturn in our economy, talking about restructuring the Tax Code, essentially is what is happening here, in the middle of a recession. This is not about stimulus for the economy. This is not about giving people jobs. It really is all about restructuring the system

that some people think penalizes rich people more than it should, and there are all sorts of debates, as I said, about that and we can come down a lot of different ways on the question. But this is no time to do tax reform when we need a stimulus package for the government and for our people. This is no time to take these issues that we fought over for many years, not new issues, and bring them to the floor now under the cloak of a stimulus package and of job creation. This is not what it is.

And the last question I have that I want to just raise with the American people is this one: everybody at the upper levels gets a tax break from this President's proposal. The folks at the very highest level, 38.6 percent, get a 3.6 percent tax break and down the line to those who are at around the 25 percent rate; and they all get a 2 percent tax breakdown to 25. The folks who are on the bottom, the 15 percent tax rate, that bracket, and the 10 percent bracket get nothing. They get no help. They get no break under this President's plan. They are not touched at all. So those folks do not have any unearned income to speak of, very little, minimal, 7 percent, less than that of income, the whole group, and almost all of it, 2 percent of the folks, are getting that in that little bracket. They are just a handful of people in that bracket. So what we are doing is moving from a system where we are taxing unearned income one way and to a system where we are only going to tax wages of working people. So as we lower the capital gains taxation from 20 to 15 and the upper brackets by 2 percent in some cases, 3 percent in one case, we do nothing for the folks at the very end.

So my question is if we are going to give a tax break, why not give it to everyone, an income tax break? Then there are other folks who do not pay income taxes. In my district there are 35 percent of the folks who work every day, 40 hours a week or more, who never make enough to pay income taxes; but they are paying the payroll tax through the nose, and the difficulty is we do not touch that issue either. These folks get no break under the President's system.

It is just unfair for them not to get a break, but beyond that, it is nonsensical for a stimulus package not to include these people because, as the Members know, these are the ones who actually would spend their money if they got the money from the government, got something back from the refundable credit on the payroll taxes or refundable credit in some other cases. They would use their money to buy the refrigerator they need or the child's clothes for school or something that is a household need that they cannot now meet because they do not have much money. So if we really wanted to stimulate the economy and we wanted to stimulate consumption, which is what this is all about, either consumption by the State governments or local governments or by individuals or businesses,

in this case individuals, we would put money in the hands of the people who actually spend it and consume some of the goods and services out there in the country that they need to consume.

So apart from all of the issues that the gentlewoman has raised, and they are wonderful issues and ones that we have heard a great deal about in our caucus and in our debates in the Congress, and they are the central ones in this debate, but I wanted to bring these other issues out to discuss them because I cannot find one way that this deal makes any sense for the American people, and I do not understand, frankly, how the other side can put these proposals forward with a straight face.

On every level I have been able to examine, it does not make any sense, and I hope that when the American people have the time to examine this argument that we are making here, examine the issues here, that they will come to the same conclusion that the gentlewoman and I have come to, that this policy is a bad policy for America. It does not stimulate the economy. It is a terrible intrusion into the tax system that is going to end up with the private sector competing with the government or the other way around, and it is going to drive up the cost of interest in the long term, and of course it is an issue of getting involved in a structural tax debate that we have had on the table for I do not know how long and we are now trying to fix under the cloak of a stimulus package.

So I want to again thank the gentlewoman from Ohio (Mrs. JONES) for what she has done this evening in giving us a chance to talk about these issues, and I want to implore the American people to really examine this very closely because it is a critical point in the history of our country. We are about to make decisions now that are going to saddle our children and grandchildren for years to come, and people really ought to pay attention to what is happening in this House.

Mrs. JONES of Ohio. Mr. Speaker, it is very interesting, has the gentleman been able in this plan anywhere to find any benefit for unemployed workers who are out of money who would spend their money right away if they were able to get any of this money?

Mr. JEFFERSON. Mr. Speaker, of course not. It is not mentioned in the package, and as most of the experts have said, this is the greatest multiplier effect of most of the things we can put on the table to do, and that is to put money into the hands of people again who have been out of work, who have been strapped, who do not have enough money to pay for the things that they need to take care of in their households, who we know will consume if they get the money.

Stimulating the economy is all about stimulating consumption. It is not about anything else. And if we are not smart enough to give people money they can use now, and these are not people who are sitting around looking

for welfare, looking for a handout from the government; these are hard-working people who have worked for many years, in most cases, who now because of economic hard times and down turns in the economy, layoffs all over the place, have ended up without a job. These are folks who are actively seeking work, going out looking for a job every day, going to the unemployment offices, unemployment services, looking for help, looking for a job, and they have not been able to find work because this economy has lost 2.6 million jobs in the last couple of years. So it is just hard to find a job out there.

This ought to be in this package. If the other side were serious about stimulating the economy, this is the best way to stimulate consumption, and the fact that it is not in the bill argues that they are not really serious about getting this done.

Mrs. JONES of Ohio. Mr. Speaker, what else was very interesting, I saw the other day, was an article that was discussing not only the fact that the low-income workers are not getting any benefit from the tax plan, that the IRS is now making proposals that people who get an earned income tax credit must have more documentation to show that they are raising their grand-daughter's children or raising their cousin's children and on and on and on as if they are the tax cheaters instead of people who are at the top of the ladder who have something to cheat about.

Mr. JEFFERSON. Mr. Speaker, one of the smartest things we did in this Congress was to pass the EITC and the next smartest thing we did was to expand it in the last few years to make sure we had more people covered. And it is a way to reward people for working. It was always designed to take low-income people and encourage them to stay on jobs that did not pay much because the welfare was competing quite handsomely with folks who were making such a low income until they might as well have stayed home if they were just looking at it on the basis of what is the better thing to do, stay home with the children, stay home and do whatever, or go to work. EITC is a conservative idea.

Mrs. JONES of Ohio. Mr. Speaker, just to be clear for everybody, the gentleman is a tax man. Will the gentleman tell them what it is.

Mr. JEFFERSON. The earned income tax credit is a conservative idea. It is an idea to reward people for working, to award poor people staying on the job instead of choosing welfare. It ought to be embraced by the Republicans full throttle, and it ought to be as simple as it is to do anything else under the tax regime. Not that things are all that simple, but one of the major tenets of tax policy is to keep it as simple or to make it as simple as we can.

□ 1745

The fewer resources one has, and we know poor people have fewer resources

than the people who are wealthier, the simpler we ought to make it for them. That is why we invented this short form of tax reporting; that is why you have this easy way to do your standard deduction, because you figure that these are the people who are not going to have a lot of money for tax preparation or access to accountants and lawyers and all the rest of it. So you make it as simple as you can for people who you know are going to be principally their own tax preparers, and you hope they can understand it without having to expend much money to do it. Up the line, people who have all these various deductions and exemptions they can take and all the rest, they are folks who usually can pay for the lawyers and accountants and the rest and get it all figured out and worry about saving money.

So I think the gentlewoman is dead right, that instead of making it more complicated for the poorest people in this country who are going to work every day, who are working hard every day, and who we have encouraged through the EITC to stay on the job rather than to accept welfare, we ought to make it simple for them to get their reporting done.

Mrs. JONES of Ohio. I thank the gentleman so much for his leadership and insight on this issue. I appreciate his assisting me with this special order.

Mr. JEFFERSON. I thank the gentlewoman for what she is doing.

Mrs. JONES of Ohio. Mr. Speaker, let me continue to speak on some of these issues. Again, let me reinforce the statement that I made at the beginning. We believe that a stimulus package must be fast, it must be fair and it must be fiscally responsible. The Republicans ignore the tried and true logic that long-term deficits are bad for future economic and job growth.

The Federal Reserve Chairman, Alan Greenspan, has repeatedly voiced his assessment that persistent budget deficits hurt economic growth over the long term because of the drain they cause on private savings that could, and should, be used for capital formation.

The Thomas bill ignores the dilemma it will create when the expiration of unemployment benefits and state cuts in Medicare occur. Just as it makes no sense to down a few more drinks before hitting the road, it makes no sense for a country that is currently running a \$436 billion trade deficit and depends on \$474 billion in borrowing from abroad to adopt a budget that will borrow an additional \$1.5 trillion over the next 10 years.

Even the Congressional Budget Office, now headed by a Republican appointee, has found that the Republican budgets will have little positive effect on the country's economic growth. The tax cut being offered do not come anywhere close to paying for themselves by expanding the economy as Republicans claim they will.

Deficits do matter. Sound economic policy recognizes that sometimes def-

icit spending, to a certain degree, makes short and long-term sense. But in this current climate, the proposed deficit spending will not result in a short-term stimulus because only a small percentage of the tax cuts being offered would take effect this year.

In the long term, American taxpayers can expect to see an increase in taxes and interest rates and a drop in funding for education, Social Security and other social initiatives, as more of their earnings go simply toward paying off the interest on an increased deficit. Let me repeat that. American taxpayers can expect to see an increase in taxes and interest rates and a drop in funding for education, Social Security and other social initiatives, as more of their earnings go simply toward paying off the interest on an increased deficit. This deficit matters, and this deficit makes no economic sense.

Yes, deficits matter. Chairman Greenspan has recognized this fundamental truth, cautioning repeatedly about the perils of increasing deficits without corresponding spending cuts. Yet the Republicans have taken every opportunity to distort his comments to suit their wayward economic agenda.

Let us take a look at chart 5. The President has stated that we have deficits because we have been through a war. This is a shameless untruth. The Congressional Budget Office and the President's own budget acknowledge that deficits started well before the conflict in Iraq and are projected to continue indefinitely because of the President's own fiscal policies. Even without taking into account any of the costs of the Iraq war, the CBO has projected in early March that the President's budget would result in a \$1.8 trillion deficit over the next 10 years.

Let me refer to chart 5 on deficit projections. This chart has three projections. The dark line shows how the deficit will continue to increase under current economic conditions. The other line shows what will happen to the deficit under optimistic and pessimistic conditions. However, the optimistic scenario is unlikely because increased deficit spending and more tax cuts will not create an economy of growth and job creation.

For example, the dark line, as I said previously, shows how the deficit will continue to increase under current economic conditions. In other words, it is going to go from where it is right now, down to 2050, down this far to minus maybe about 14 percent.

Under the best economic conditions, based on the deficit spending we are doing, there will still be a deficit of about minus 0.3 percent. Then if you look under the lowest productivity growth, it will even be further. It moves further into the minus spending, down to minus 15 percent.

So the reality is that no matter what the economy does with the deficit spending we are doing right now, we are going to be in bad shape, and our children will continue to pay and pay and pay.

This bill claims to be about jobs, retaining them and creating them. Last week it was announced that the Nation's unemployment rate reached 6 percent. In the last 2 years, over 2 million jobs have been lost nationwide. Districts with heavy manufacturing industries have seen an even bigger job loss rate than the national average.

This Congress needs to pass a bill that will bring those who lost their jobs back to work and keep them at work. But will the bill that has been introduced by the gentleman from California (Chairman THOMAS) do that? Only if you think that giving over \$350 billion worth of capital gains and dividend tax exemption to the wealthiest one-half of one percent of the population will create jobs.

What kinds of jobs will this create? The only type of job I think that would be created would be hiring people to carry the buckets of money this wealthiest fraction of the country will receive to the bank. But with most of those gains being transferred electronically, even those types of jobs will not be available.

Economists from all slants, conservative and liberal, have reached a broad consensus that cutting the tax on dividends will not create jobs. In fact, several Wall Street analysts have rated this tactic as one of the least effective options in terms of stimulating economic growth.

The tax cuts being offered by the President and the gentleman from California (Chairman THOMAS) are not about jobs. Instead, these tax cuts are about partying it up now and ignoring the consequences.

This so-called jobs bill starves the government of revenue so that social priorities suffer, priorities like funding promised benefits for baby-boomers, cushioning the hardship of the unemployed, enhancing educational opportunity and improving homeland security. Just ask any mayor or local fire chief or local police chief about what money they got from homeland security. They are the first responders, and they are still waiting for this government to give them the money they need to do their job.

Other people have noticed that this plan would not create jobs, not just those of us here in Washington. This past weekend, the Detroit News published an editorial from the President of the Economic Policy Institute that empirically described how these Republican plans will hurt the economy, will cause more jobs to be lost and dig our deficit hole deeper.

This article cited a recent joint statement signed by 10 Nobel Laureates in economics and 450 other economists stating there is widespread agreement that the purpose of the President's tax plan is for permanent change in the tax structure of the country, not the creation of jobs and growth in the near term.

Let me repeat that: That the purpose of the President's tax plan is for per-

manent change in the tax structure of the country; not the creation of jobs and growth in the near term. These individuals single out the permanent reduction in the dividends and capital gains tax rates as not being credible as short-term stimulus. The Republicans claim that their plans will generate more growth in gross domestic product and in jobs in the next 2 years, ignoring the horizon beyond those 2 years.

Before I go on to that subject matter, I see that I have been joined by another colleague of mine, the gentlewoman from Georgia (Ms. MAJETTE). I yield to the gentlewoman.

Ms. MAJETTE. Mr. Speaker, I am honored to be a new Member of the House of Representatives. I know that each of us takes this responsibility very seriously. Each of us wants to represent our constituents to the best of our ability, and we all want to do what is right for our country. Yet this Congress cannot seem to do the right thing.

This so-called tax cut is a perfect example of what I am talking about. Virtually every reputable economist agrees that it is the wrong thing for our economy. Alan Greenspan agrees that it is the wrong thing to do at this time, yet the President has seen fit to have Mr. Greenspan serve for another term while choosing not to listen to his advice. Republican and Democratic Members of the House are going along with the President's tax policy, and that, Mr. Speaker, will sink this ship of state into a sea of red ink.

To me, this tax plan is about simple math and basic accounting. More importantly, it is about common sense. If you borrow money, somebody has to pay it back. This tax plan will result in the biggest increase in debt that our country has ever seen. Somebody is going to have to pay it back, and those somebodies are our children and our grandchildren.

Many in our country are worried about the problem of predatory lending, but what they should be worried about is predatory borrowing. We are causing our children and grandchildren to incur huge debts in the future just so we can line the pockets of a precious few today.

This predatory borrowing will doom the economic fortunes of generations to come because we refuse to get our fiscal house in order. Do not get me wrong, Mr. Speaker; like anyone else, I could use a tax cut, and many of my constituents could use tax relief too. But this is not tax relief.

Do I support relief from the marriage tax penalty? Of course I do. Do I support increasing the amount of the child tax credit? Of course I do. Do I support giving small businesses relief for their expenses? Of course I do. These are all tax cuts that help working families, exactly those families who are hurting and who are struggling to make ends meet.

Unfortunately, none of these tax cuts is permanent in this bill, and in 3 years

most of these cuts will evaporate and working families will be right back where they are today.

But the Republican tax bill does not stop there. This tax bill will give huge tax relief to those who need it least, the wealthy; those people who already have an annual income of \$1 million a year. The dividend and capital gains tax cuts, which are made permanent, by the way, will pile on debt for our children and our grandchildren.

Long-term success in this country depends on high quality education, on stable and high paying jobs, and access to quality health care. But because of these tax cuts for the wealthiest Americans, we are not investing in those things that will secure our children's future.

Not only are we abdicating our responsibility for our children's future, we are forcing them to pay the bill. What we need today is a renewed commitment to fiscal responsibility. Let us restore the pay-as-you-go rules that led to the fiscal discipline during the 1990s and the first surpluses we saw in decades, surpluses that have totally evaporated under this President's economic programs.

For the first time in decades, we have had the opportunity to begin to pay down the massive multi-trillion dollar debt and to begin to bring some financial stability to Social Security and to Medicare. But, instead, today we are being asked to incur more debt and to cast even further doubt on the viability of those programs.

What we have here is a failure to communicate with the American people. So let me just make it plain: This is not really a tax cut we are talking about today. Read my lips; this will be the largest tax increase that the world has ever seen, only it is a tax increase on our children, our grandchildren and our great grandchildren.

□ 1800

This tax plan is a sham and a shame, and the American people deserve better than this.

Mrs. JONES of Ohio. Mr. Speaker, I would like to thank the gentlewoman from Georgia (Ms. MAJETTE) for coming out to help me with this hour.

As I stated before she started, this article cited a recent joint statement signed by 10 Nobel Laureates in economics and 450 other economists stating that there is widespread agreement that the purpose of the President's tax plan is for permanent change in the tax structure of the country and not the creation of jobs and growth in the near term. Now, if that is what he wants to do is to change the tax structure, just step on up there and say it, but do not put it under the veil of creating jobs and growth in the near term. These scholars single out the permanent reduction in the dividends and capital gains tax rates as not being credible as short-term stimulus.

The Republicans claim is that their plan will generate more growth in

gross domestic product and in jobs in the next 2 years. In fact, even under the most forgiving analysis of these plans, gross domestic product and jobs will decline in 2005, 2006, and 2007. Respected economic analysts have shown that any positive impact in the first 2 years of this irresponsible plan will be followed by a gross domestic product decline of .25 percent per year, thereafter resulting in a gross domestic product loss of 1 percent and 750,000 jobs by 2013.

There are two reasons why this happens. First, tax cuts without spending cuts lead to sustained budget deficits. These deficits in turn raise long-term interest rates, suppress investment, and stop productivity growth. The second reason is that the administration's proposal is ineffective at raising long-term growth. Much of the package involves items that are already scheduled to be implemented, so their effect is minimal and illusory. Further, many economists, including the Nobel Laureates and other scholars mentioned previously, believe that dividend exclusion will actually depress investment.

It is easy to understand why the Republican proposals are so ineffective at creating jobs in the near term. First, very little of the package stimulates the economy this year when jobs are needed most. Let me say this again. Very little of this package stimulates the economy this year when jobs are most needed. This stimulus package only offers \$31 billion toward the short-term growth efforts. All of the other dollars, whether it is \$550 billion, \$726 billion, goes to other issues.

Further, the proposed tax cuts are ineffective at stimulating consumption because they are so heavily targeted at the wealthiest members of our population who will likely take that extra money and put it into savings rather than consume goods and put that money into the stream of commerce.

One of the biggest concerns of Americans today is whether they will have a job tomorrow, whether this stagnant economy will engulf their job, their savings, and their livelihoods, or whether Congress will do something that will secure their employment and economic future. The Republican plans do not provide that security to our citizens. It is a carrot for the middle class and nothing for the lower class. The gentleman from California (Mr. THOMAS) has attempted to veil some of the aspects of his plan as benefiting the middle class, in essence, dangling a carrot in front of them. But when the truth is peeled away from his plan, it becomes clear that members of the middle class will never get this carrot.

Republicans have concealed the true nature of their tax cuts and the effect those cuts will have on the middle class, using clever gimmicks and ruses to trick working families into thinking they will enjoy a permanent benefit under their plan.

For instance, the child tax credit offered in the plan is a hoax. Rather than

making tax cuts for families the centerpiece of an economic stimulus plan, they have made the increase in the child tax credit a temporary afterthought so that the amount of the child tax credit will drop from \$1,000 in 2005 to \$700 in 2006 while, at the same time, the tax breaks to the wealthiest citizens are being made permanent. They are willingly going along with a plan that will sacrifice increases in the child tax credits that would add an immediate beneficial impact for all of our working families to make room for the President's plan to put even more money in the pockets of wealthiest Americans.

Now, do not misunderstand me. I think wealthy Americans ought to be wealthy if they work to get to be wealthy, but they ought to share the brunt of tough times, tough economy, with all of us; and they ought to forgive or give up the opportunity to get these tax cuts to bring our country back to the best.

The Republican plan jeopardizes Social Security to make room for tax cuts for the wealthy. Just as baby boomers are approaching retirement, the GOP is offering a plan that will borrow and spend all of the money from the Social Security trust fund over the next 10 years. The long-term cost of the Republican tax cuts is more than three times the entire long-term Social Security shortfall. And what does this pay for, one might ask? My answer is obvious: tax cuts for the wealthy.

As I mentioned earlier, it was just announced that the Nation's unemployment rate has reached 6 percent. This figure seems to not have resonated with Republican Members of Congress. Even with this new high in unemployment, with the economic slump continuing, the GOP plan allows extended unemployment benefits to expire at the end of this month. Nowhere in their plan is there money to extend unemployment benefits. Nowhere in their plan are they even thinking about the people that are unemployed, other than saying, I am going to promise you a job later on based on the trickle-down theory. In just over 3 weeks, millions of families across the Nation will be denied desperately needed unemployment insurance. Extending these benefits will not only help the families of the nearly 4 million out-of-work Americans pay their bills, but it will also help the economy by putting money into the pockets of consumers who will spend it.

Remember the "stream of commerce" I talked about earlier? That is where the money from these unemployment benefits will go. But the Republican message to these families is crystal clear. The message to these families is, Well, we are going to create you some jobs, but you can eat crumbs until we get those jobs in place. The Republican message to these families is, We would rather put more money into the pockets of the wealthy than to

put immediate dollars into your pocket in an unemployment plan. The message to these families is, Tough luck.

Now, let us talk about what the message is to the States. The message to the States is the same as the message to the poor: tough luck. Despite the fact that economists statistically rate aid to the States as one of the most effective immediate economic growth measures available for the money, the Republican economic plan, while calling for \$1.2 trillion in new tax cuts, fails to include a single penny for State aid. States are facing the worst fiscal crisis since World War II, but the Bush administration is refusing to provide them any aid. As a result, States across the country are cutting education and health care programs, raising taxes and other fees, and putting a further drag on the sluggish economy. And with the GOP's refusal to include any help to the States in their economic plan, economic growth is undermined, not fostered.

I have spent most of my time talking about what is wrong with the Republican plan, and believe me, I could talk for much longer, but I want to take some time now to discuss a Democratic plan that is fair, fast-acting, and fiscally responsible. I see that I have been joined by the gentleman from Washington (Mr. INSLEE), and I would like to yield to him.

Mr. INSLEE. Mr. Speaker, I appreciate the gentlewoman coming here to talk about this important issue. I just have two comments to make about the majority party's plan. We are talking about a way to get our economy going again and to me, the acid test of any economic plan is, is it going to work. This should not be based on ideological principles; it should not be based on partisan politics; it should not be based on sort of a pie-in-the-sky theory. The question should be: Does it work?

The two points I would like to make is first off, we have very good evidence that it does not work. We are all talking about the best way to administer medicine, if you will, to the economy; and it kind of reminds me, what the majority party is doing reminds me of the physicians in the 18th century. When you were sick in the 18th century, you went to a doctor; they bled you. They put leaches on you. And if you did not get better, they put more leaches on you. And if you still did not get better, they would put more leaches on you, and they would bleed you some more, because it is all they knew how to do.

Well, what we saw in the year 2001 when the Republican Party did this big tax cut, a trillion dollar tax cut plan, told the American citizens it was going to create tens of thousands of jobs, and the economy has gone south. It has gone south like it has not at any time since World War II. We have had the largest number of job loss; over 2.5 million Americans have lost their jobs since that ill-conceived plan by the Republican Party. It is the largest job

loss since Hoover was President of the United States. And here we have the doctors to the economy, they want to do it again when it was so damaging to the economy in the first place. The deficit has skyrocketed. It has gone from a \$5 trillion surplus to deficits of \$300 billion, at least, probably more. And so we want to see this sort of application of this 18th century medicine again when it did not work the first time.

We should not repeat the mistakes, and the reason it was a mistake then, and they are repeating exactly the same failure this time, number one, their plan is too late. It is too late because almost 95 percent of the benefits are in the years after this year when we need the stimulus this year; and, number two, it goes inordinately to people who are not going to put the money right back into the economy. So we are repeating a failure of 2001, as the doctors of the 18th century repeatedly bled people if they did not get better, and they just kept bleeding them. And that is what the Republicans are doing to the Federal budget.

The second point I would make is, this is called a tax cut. But it is really not a tax cut to Americans over the long term. If anything, it is a tax increase. And the reason is that our children are going to have to pay and we are paying today the burden of not balancing the Federal budget. Right now, because we pay interest on the Federal debt, I have some really bad news for Americans. Of every \$100 Americans paid, they paid \$100 on April 15 in taxes, \$14 went to pay interest on the Federal debt. For that \$14, you got no soldiers, no sailors, no police officers, no nothing. It went down a black hole. And now it is going to increase because the Republicans' own numbers, these are not Democratic numbers, the Republicans' own numbers demonstrate another \$1 trillion of indebtedness they will create that American taxpayers are going to have to pay at some point, only now they are going to have to pay interest on top of that.

So this really is not a tax cut. At best, it is a tax transfer. It is a transfer from us baby boomers on to our children's shoulders, which is immoral, number one; and, number two, it is a tax increase by increasing the interest payments we have to pay on the Federal debt. It is an increase on what we call the debt tax. We all pay the debt tax now because we pay interest on the Federal debt. This could be called at worst a tax increase and at best a tax transfer to our children. Both are wrong; it should be rejected. Let us not repeat the failure of 2 years ago.

Mr. Speaker, I appreciate the gentleman addressing this important issue.

Mrs. JONES of Ohio. Mr. Speaker, I thank the gentleman for his leadership on this issue.

This past January, Democrats presented a fair, fast-acting, and fiscally sound economic plan that would jumpstart the economy, create jobs imme-

diately, and promote long-term economic growth. The President then introduced a highly divisive plan that does not create jobs in the short term and endangers our economy by saddling us with these deficits. Much-needed immediate action on the economy is being thwarted because the Republicans disagree about the President's controversial plan and because the President is still pushing for a \$550 billion package that Members of both parties in both Houses of Congress have soundly rejected.

The past Democratic plans have included \$32 billion in immediate tax relief to small businesses to generate investments. Only \$29 billion of the GOP plan is targeted to small enterprise. Finally, the GOP plan will negatively affect investment in small business and their access to capital because it will increase interest rates and make investment in big business more attractive.

There is no bang, but there certainly are bucks in the GOP plan. At least there are bucks for the wealthy. Economists have estimated that for every dollar spent on the dividend tax cut, only 9 cents in economic growth will be generated. Even the economists that the White House relied on for their job growth numbers "predicted that if the tax cuts were not offset within a few years, interest rates would rise, private investment would be crowded out, and the economy would actually be worse than if there had been no tax changes at all."

There is no focus in the GOP plan, there is no fairness in the GOP plan, and there is no fiscal responsibility. For the sake of our country, our health care and our infrastructure, I call on all Members of Congress to reject the Thomas plan just as you rejected the President's plan.

Mr. Speaker, the Democratic plan will create 1 million jobs by the end of the year and is paid for through responsible tax policy that puts money in the hands of people who need it most.

The Democratic plan is focused on job creation and long-term growth. By providing an immediate stimulus, the plan will create jobs. The Democratic plan will not leave States behind—instead it will provide \$18 billion for Medicaid assistance to the States, \$26 billion for infrastructure development, homeland security, education, and other needs jobs will be retained and created, our economy will revive itself. By extending unemployment insurance benefits, money will be put in the hands of those who need it most at the time it is needed most. Recipients of those benefits will be able to buy needed consumer goods, pay their bills, and be able to survive in these tough economic times. The Democratic plan will benefit small businesses by creating credits for businesses who hire the long-term unemployed and increase the expensing limits small businesses are able to claim. Further, it will temporarily increase the bonus depreciation for all businesses, which will in turn enable businesses to retain more capital for expansion and hiring.

The child credit the Democratic plan has will accelerate to \$800 and will directly benefit the

families of 1.75 million children. Over the course of 10 years this will put \$50 billion into taxpayers' hands that will in turn be used for savings and consumption.

Today's New York Times cited the President's plan, the House Republicans' plan, and the Senate Republicans' plan as putting \$400 per child into taxpayers' hands as this year's rebate. This is part of the "carrot" that Republicans are dangling in front of the middle and lower class taxpayers. And while they may in fact get this money this year, Republicans are remaining silent on what they will get next year, or 5 years from now, or 10 years from now. The reason for that silence is because next year, and 5 years from now, and 10 years from now they will not receive anything. Instead, they will be forced to pay more for health care, they will be forced to pay more for education, they will be forced to pay more for infrastructure development, and they will be paying more toward reducing the national debt—a payment that will not yield any tangible, graspable benefit.

□ 1815

PRESIDENTIAL TAX PLAN CREATES JOBS

The SPEAKER pro tempore (Mr. KLINE). Under the Speaker's announced policy of January 7, 2003, the gentleman from Colorado (Mr. MCINNIS) is recognized for 60 minutes.

Mr. MCINNIS. Mr. Speaker, I am glad I am going to get an opportunity to rebut the gentlewoman from Ohio's (Mrs. JONES) statements. Obviously, there are a number of exaggerated statements in my opinion. I want to go through a few things.

First of all, in regards to the gentlewoman from Ohio (Mrs. JONES), she talks about the deficit, she talks about the deficit as if she is a leading example of programs and her voting is a leading example of votes that are cast to reduce any of these programs. I would challenge the gentlewoman from Ohio to go ahead and present to her colleagues exactly what programs in discretionary spending, keep in mind the biggest part of that budget is non-discretionary. So if you are going to do the kind of cuts that she talks about, I think that the gentlewoman should accept the challenge and step forward and show exactly which programs she is going to eliminate or which programs she is going to substantially reduce in order to eliminate that deficit in this budget.

The fact is she will not even come close. I know it and you know it. I think it would be interesting, and I intend to do it, pull the gentlewoman's voting record from Ohio and see how many votes she has made to reduce programs. I also am going to pull the bills that the gentlewoman from Ohio has introduced and take a look at what those bills, bills that she is the sponsor of, bills that she is the proponent of, what kind of costs those bills add to the deficit. I think you would find, I have not looked at them but I think it is a pretty good guess that the gentlewoman from Ohio has a number of bills